

5-29-09

Dear Colleagues,

It has a been a hectic week in Sacramento. Just a quick note to give you the latest budget news.

On Tuesday, the Governor announced approximately \$5.5 billion in additional spending cuts beyond those included in his May Revision proposal released on May 14. These additional cuts were necessitated by the Governor's decision to eliminate \$5.5 billion in borrowing included in his initial proposal. The proposed cuts spread across most of the state budget. Among the cuts were many that even the Governor characterized as difficult and severe. However K-12 schools and community colleges were not proposed for additional cuts as the May Revision already had Proposition 98 funded at the minimum guarantee. Proposed cuts included:

- Cuts to UC and CSU (\$1.1 billion)
  - (promise of some federal backfill funds)
- Phase out CalGrant Program (\$173 million)
- Cuts to MediCal Program (\$351 million)
- Eliminate Healthy Families Program (248 million)
- Eliminate CalWORKs (\$1.3 billion)

Today, the Governor announced an additional \$2.8 billion in reductions. This round of cuts was the result of the Governor deciding to adopt lower revenue estimates developed by the Legislative Analyst's Office. Based on the lower revenue estimates, the Proposition 98 minimum guarantee was lowered by approximately \$680 million, thus opening the door for additional cuts to K-12 schools and community colleges without having to suspend Proposition 98. The Governor elected to make this full reduction in the areas of K-12 revenue limits (general purpose allocations) and child care programs. The Governor proposed that K-12 schools be given a "deficit factor"—a mechanism to ensure that funding for schools increases in future years to compensate for the revenue limit cut. Further, the Governor proposed an unusual provision that will allow mid-year restoration of the \$470 million cut to K-12 schools in the event that state revenues improve and cause an increase in the Proposition 98 minimum guarantee. The Governor did not propose any additional cuts for the community colleges. At a briefing late this afternoon, Department of Finance representatives explained that further cuts to the community colleges would not have been allowed under maintenance of effort rules associated with federal stimulus funding. Proposed cuts announced today were as follows:

- Eliminate Adult Day Care (\$117 million)
- In Home Supportive Services Cuts (\$231 million)
- Cuts to K-12 revenue limits (\$470 million)
- Cuts to Child Care Programs (\$210 million)

We understand that, with this third set of cuts, the Governor has revealed his full May Revision proposal. The complete details for the proposal will be available early next week. Once they are released, we will review these details and provide additional updates as appropriate.

Now, the proposal is in the hands of the Legislature. Already, they are holding Conference Committee hearings to examine the impacts. They are beginning with a round of hearings to allow public input. This week, health, transportation, and local government were covered. On Monday, education—K-12 through university—will be heard (see attached agenda). We are expecting a large showing of community college stakeholders—students, presidents, faculty, classified staff, and business owners—who will help to make the case for minimizing cuts to the community colleges. Chancellor Scott will be addressing the Conference Committee as part of a panel including UC President Yudof and CSU Chancellor Reed.

More updates to follow.

Regards,

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